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18 October 1963

MEMORANDUM FOR: Chief, Liaison Staff, LS/CR

FROM : Chief, Publications Staff, ORR

25X1C

SUBJECT : Release of Information [REDACTED]

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1. It is requested that your office check with the Department of State to determine whether or not the information derived from the following source used in CIA/RR CB 63-78, Status of Chinese Communist Economic Aid to Burma, SECRET/NO FOREIGN DISSEM, may be released [REDACTED]

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Sources 2, 5, State, Rangoon. Airgram A-593,
6, 16, 17, & 10 May 63. C/NO FOREIGN
18 DISSEM.

2. If this information is approved for release to the above recipients the bibliography will be removed before transmittal to the foreign governments.

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Attachment:

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Current Support Brief

SOVIET FOREIGN TRADE, 1962



CIA/RR CB 63-81

9 October 1963

CENTRAL INTELLIGENCE AGENCY
Office of Research and Reports

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SOVIET FOREIGN TRADE, 1962

Paced by an increase of 17 percent in trade with the European Satellites, Soviet foreign trade experienced a sharp resurgence in 1962, reaching a reported level of \$13.5 billion and exceeding the 1961 value of \$11.8 billion by 14 percent (see the table). 1/* The comparable rate of growth for 1960 and 1961 was approximately 6 percent per year, and the average annual rate during 1956-59 was 13 percent. In 1962, Soviet foreign trade not only regained the high annual rate of growth characteristic of the period 1955-59 but also attained a new pattern in its geographic distribution. The new geographic distribution of Soviet foreign trade is the result of a steady decline in recent years in trade with Communist China, an increase in trade with the European Satellites, and continuing rapid growth in deliveries of machinery and equipment from industrialized non-Communist countries.**

1. Trade with Communist Countries

The large drop in Sino-Soviet trade has been a major factor in the recent low rate of growth registered by Soviet foreign trade. Expansion of Soviet trade with other areas was offset largely by the reduction in the volume of trade with Communist China, from \$2.1 billion in 1959 to \$750 million in 1962. The present small total value of Sino-Soviet trade, having fallen from 20 percent of total Soviet foreign trade in 1959 to less than 6 percent in 1962, means that the effect of any further reduction in Sino-Soviet trade on the growth and geographic distribution of total Soviet trade would be marginal. In 1962 the large import surplus with China (\$283 million), resulting chiefly from reduced Soviet exports of machinery, equipment, and petroleum products, reflected a Chinese decision to accelerate repayment of debts to the USSR. The unprecedented prepayment of the Soviet debt amounted to about \$100 million. 2/

* The Soviet foreign trade handbook for 1962 has only recently become available.

** Including Austria, Australia, Belgium, Canada, Denmark, Finland, France, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Portugal, Sweden, Switzerland, the UK, the US, and West Germany.

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The greatest expansion in Soviet foreign trade in 1962 took place in trade with the European Satellites. This trade increased 17 percent, from \$6.5 billion in 1961 to \$7.6 billion in 1962. This growth contrasts with an increase of 9 percent in 1961 and applies equally to Soviet exports and imports. The share of trade with the Satellites in the total foreign trade of the USSR continued to increase and in 1962 equaled 56 percent of total Soviet trade, an increase of 3 percent above that of 1959. Large increments in trade with East Germany, Czechoslovakia, and Bulgaria accounted for a substantial portion of the absolute increase in Soviet trade with the Satellites. Soviet statistics indicate that trade with Albania had ceased entirely by 1962.

Machinery and equipment accounted for approximately one-half of the increase in Soviet trade with the European Satellites, Soviet imports increasing by \$376 million and exports by \$147 million. As a result, the import surplus of machinery and equipment in Soviet trade with the Satellites rose by 29 percent to about \$1 billion. Increased Soviet exports of fuel and grain and imports of manufactured consumer goods also were featured in the rise in Soviet-Satellite trade.

Soviet trade with Cuba and Yugoslavia in 1962 stabilized with a moderate growth of 5 percent in total volume in contrast to the 144 percent increase in 1961 that resulted from the rapid expansion of Cuban trade. The sharp decline in Soviet imports of Cuban sugar in 1962 was offset by increased Soviet exports, so that the total volume of trade with Cuba of \$605 million was only 1 percent above the 1961 level. Soviet exports to Yugoslavia increased sharply in 1962. This increase was so great that even though imports from the Yugoslavs declined, the total trade turnover increased by some 32 percent.

Soviet trade with all Communist countries including China fell slightly in 1962 as a share of total trade -- 70 percent compared with 72 percent in 1961. Nevertheless, because of the large increase in the volume of total Soviet trade, the value of trade with all Communist states rose by a billion dollars to \$9.5 billion in 1962.

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2. Trade with Non-Communist Countries

Soviet trade statistics indicate a substantial rise in Soviet trade with non-Communist countries in 1962, reaching a level of \$4.0 billion, or 19 percent above the level of \$3.4 billion in 1961. Of interest was the increase of 16 percent in Soviet imports from the industrialized non-Communist countries compared with an increase of 4 percent in Soviet exports to the area. The resultant trade deficit of \$159 million with industrialized non-Communist countries was some \$131 million greater than in 1961. As in recent years, machinery and equipment constituted a large part of these imports, aggregating \$591 million, or very nearly one-half of total Soviet imports from the area, and representing an increase of \$121 million above the level of 1961. Imports of ships and wood-processing equipment also increased sharply (from Sweden, Finland, and Japan among others), but imports of chemical equipment declined for the second consecutive year. Imports of large-diameter pipe tripled in 1962, reaching about \$70 million. Only marginal increases in Soviet exports of petroleum were recorded, whereas grain exports to Western Europe declined.

Soviet trade with the underdeveloped countries, which increased again in 1962, was valued at \$1.2 billion, or 9 percent above the level of 1961. Exports increased 12 percent above the level of 1961, but imports increased less than 6 percent. Increased deliveries of Soviet machinery and equipment, particularly complete plants, led all other commodities, rising to \$286 million in 1962, or one-half of total exports to the underdeveloped countries. The composition of Soviet imports from these countries showed mixed trends, with imports of natural rubber remaining at approximately the level of 1961, while such commodities as cocoa and rice increased moderately.

The level of Soviet trade with the underdeveloped countries reported in the official returns for 1962 is strangely at odds with numerous statements made before the publication of the final statistics that Soviet trade with the underdeveloped countries had increased by more than one-third and exceeded \$1.4 billion. Statements made early in the year by S. A. Borisov, First Deputy

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Minister of Foreign Trade of the USSR, which indicated large increases in trade with such countries as Guinea, Egypt, Mali, Yemen, and Sudan, were not borne out by the published statistics. ^{3/} Such optimistic early statements ordinarily could be dismissed as of little importance were it not for the fact that the reported value of Soviet exports to the non-Communist world as a whole in 1962 is \$450 million greater than that arrived at by totaling the reported value of exports to individual countries. Thus more than 20 percent of Soviet exports to the non-Communist countries are not allocated geographically. The large residual in 1962 is in sharp contrast to the usual 4 or 5 percent discrepancy in the Soviet foreign trade returns of recent years, most of which is attributable to unlisted countries and to goods shipped on consignment where the final destination is not known. Although it is official Soviet statistical practice to exclude all noncommercial shipments from the foreign trade handbooks, it cannot be ruled out that the value of such exports was in this case included in the totals. This explanation, in light of previous statements on trade with underdeveloped countries, appears to be more reasonable than the possible inclusion of gold exports (for the first time) or disguised exports to Bloc countries, although it is difficult to understand why Soviet statistical officials in the Ministry of Foreign Trade would permit such a discrepancy.

The unexplained residual in Soviet exports and the indicated export surplus with the non-Communist world notwithstanding, the USSR incurred a sizable deficit in trade with hard currency areas. This deficit was on the order of \$350 million but was offset by net credit drawings from Western suppliers of machinery and equipment estimated at \$150 million. The estimated net deficit in hard currencies of \$200 million was on the same order of magnitude of Soviet gold sales in 1962, the latter being estimated at \$209 million.

3. Commodity Composition

Changes in the over-all commodity composition of trade in 1962 featured a substantial increase in net Soviet exports of grain. An increase of 330,000 tons in exports of grain coupled with a reduction of 633,000 tons in imports of grain resulted in a net increase in exports

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of 966,000 tons. East Germany, Czechoslovakia, and Poland received the bulk of these additional exports. This net increase in exports of grain is of lesser magnitude but comparable in origin to the one that occurred in 1959 after the good harvests of 1958. Following the generally poor harvests of 1959 and 1960, the relatively good crop in 1961 was reflected in the 1962 statistics on Soviet exports of feed grains. The increased grain harvest of 1961, however, was still not equal to the 1958 crop, and population and livestock herds have grown. In light of shortfalls in production of certain substitute crops such as potatoes in 1962, as well as the severe weather conditions during the winter of 1962/63, this large net increase in exports may have forced the USSR to draw on some of its grain reserves in late 1962 and in the first half of 1963. The plight of the USSR with respect to grain was highlighted by the recently announced Soviet-Canadian wheat contract involving 6.3 million metric tons of Canadian wheat (including flour in wheat equivalents) and a deal of 1.5 million tons of Australian wheat.

Soviet trade in 1962 also showed a substantial increase in imports of machinery and equipment. Such imports, valued at \$2.2 billion, rose to 35 percent of total imports in 1962 from 30 percent of imports in 1961 (\$1.7 billion), the bulk originating in the European Satellites. The types of equipment registering the greatest increases were transportation equipment, particularly ships and marine equipment, which rose from \$534.0 million in 1961 to \$746.7 million in 1962, and electric and power equipment. Imports of chemical equipment fell from \$193 million to \$159 million largely as a result of a decline in deliveries from the industrialized non-Bloc countries.

4. Prospects

Soviet reports on foreign trade for the first 6 months of 1963 indicate an increase of only 2 percent in turnover above the comparable period of 1962, suggesting that Soviet foreign trade will increase significantly less in 1963 than it did in 1962. 4/ Official uncertainty is reflected in statements by Soviet officials, which

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indicate possible increases in total turnover from 5 to 10 percent in 1963. Because plans for trade with CEMA countries and underdeveloped countries for 1963 call for a substantial increase, trade with other Communist countries may register little or no growth. Prospects for substantially increased trade with the industrialized non-Bloc countries do not appear to be bright. The hiatus that occurred in Soviet contracting for Western machinery and equipment between mid-1961 and mid-1962 suggests a stabilization, if not a decline, in Soviet imports of machinery and equipment from that area during 1963. Canadian grain shipments to the USSR will have only a marginal effect on the over-all level of Soviet trade with the industrialized non-Bloc countries in 1963.

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Table

Soviet Foreign Trade in 1961 and 1962 a/

	1961				1962			
	Exports	Imports	Turnover	Balance	Exports	Imports	Turnover	Balance
Total	<u>5,998</u>	<u>5,827</u>	<u>11,825</u>	<u>171</u>	<u>7,034</u>	<u>6,449</u>	<u>13,483</u>	<u>585</u>
Communist countries	<u>4,321</u>	<u>4,146</u>	<u>8,467</u>	<u>175</u>	<u>4,910</u>	<u>4,562</u>	<u>9,472</u>	<u>348</u>
European Satellites	3,420	3,066	6,485	355	3,971	3,587	7,558	384
China	367	551	919	-184	233	516	750	-283
Other Asian Satellites	211	163	374	48	262	179	440	83
Cuba	287	312	599	-25	371	234	605	137
Yugoslavia	36	55	90	-19	72	46	118	26
Non-Communist countries	<u>1,677</u>	<u>1,681</u>	<u>3,358</u>	<u>-4</u>	<u>2,124</u>	<u>1,887</u>	<u>4,011</u>	<u>237</u>
Industrialized								
non-Bloc countries	1,060	1,088	2,147	-28	1,105	1,264	2,369	-159
Underdeveloped countries	508	580	1,088	-72	568	613	1,181	-45
Unaccounted for	109	13	122	96	451	10	461	441

a. Because of rounding, figures may not add to the totals shown.

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Analysts:



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Coord:

Sources:

1. Vneshnyaya trgovlya SSSR za 1962 god (Foreign Trade of the USSR for 1962), Moscow, 1963. U.
2. CIA. CIA/RR CB 63-73, Peiping Cuts Back Soviet Imports in Order to Reduce Outstanding Debts to the USSR, 30 Aug 63. S.
3. Vneshnyaya trgovlya, no 4, 1963, p. 22. U.
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Vneshnyaya trgovlya, no 5, 1963, p. 4. U.
4. Pravda, 19 Jul 63. U.

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